

Message

From: CN=Richard Parkin/OU=R10/O=USEPA/C=US [CN=Richard Parkin/OU=R10/O=USEPA/C=US]
Sent: 2/28/2011 5:42:05 PM
To: Bob [Ex. 6 PII, Bob Waldrop]
BCC: CN=Cara Steiner-Riley/OU=R10/O=USEPA/C=US
Subject: Re: Pebble Economics
Attachments: Northern Dynasty Minerals Ltd; Ivanhoe Mines Ltd; Anglo American PLC;
<http://business.financialpost.com/author/pkoven/>

Hi Bob, Thank you for coming to Seattle to meet with us. Specific elements of the assessment are a work in process. This is primarily an environmental effort but economics will inform our knowledge about the fishery resource and its importance, just as will subsistence information and ocean ecology. We will want to be accurately informed about the economics of the fishery and the potential mining.

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From: Bob [Ex. 6 PII, Bob Waldrop]
To: Richard Parkin/R10/USEPA/US@EPA
Date: 02/26/2011 06:04 PM
Subject: Pebble Economics

Rick –

1. Thank you for all the time you and your pup spent with us Friday.
2. I meant to ask you about your comments (in Anchorage) that the Watershed Assessment would also include economics. I realize specific elements of the Assessment are still gelling. But when possible, I'd like to know more about your thoughts on an economic component.
3. FYI (no comment expected) - Attached is another reference to the recent report, funded by Northern Dynasty, that presents an economic assessment of their mine project. I have a background in economics and am former founder/manager/owner of a \$150M seafood company. It seems odd to me that NDM can predict net asset values and internal rates of return without knowing a great deal about their costs. Knowing capital and operating costs requires the kind of detailed mining plan they maintain is unknown. The report is not yet released (they say it will be in a week or so). Perhaps some of these cost details might be included in the data PLP will soon release.

Best regards,
Bob Waldrop
907-223-1588

Northern Dynasty mega-project needs strong prices

It is, by any measure, a gigantic project.

Northern Dynasty Minerals Ltd. has released a bullish independent economic assessment for the Pebble project in Alaska. The deposit holds more than 72 billion pounds of copper, 94 million ounces of gold, and 4.8 billion pounds of molybdenum, numbers that are truly eye-popping. And the study proves that it can work.

Canaccord Genuity analyst Wendell Zerb wrote that the project provides excellent copper leverage and gold exposure. However, he pointed out a legitimate concern.

"The economics outlined by the [preliminary assessment] demonstrates a high leverage factor, and the project requires strong long-term metal prices to justify the large capital commitment," he wrote.

That's for sure. The initial capital cost for an open-pit operation is pegged at US\$4.7-billion. And to generate a strong 18% pre-tax rate of return for Northern Dynasty, the study assumes a copper price of US\$2.50 a pound and a gold price of US\$1,050 an ounce. While those prices are well below current levels, they are still very high by historical standards.

Raymond James analyst Tom Meyer wrote that Northern Dynasty looks attractive compared to Ivanhoe Mines Ltd., its closest peer since both have massive copper-gold deposits. The difference for him is valuation. He wrote that Northern Dynasty trades at a price-

to-net-asset-value multiple of 0.52 times, while Ivanhoe trades at 1.28 times.

His net asset value estimate for Northern Dynasty fell 32% after the assessment, because he modeled both open pit and underground mines (whereas the study assumed open pit only). However, he maintained a "strong buy" rating on the stock and a target price of \$25.00 a share. Mr. Zerb rates the stock a "speculative buy" with a \$23.90 target.

Pebble is a 50-50 joint venture between Northern Dynasty and Anglo American PLC.

The above is a snip from the Financial Post <http://business.financialpost.com/author/pkoven/>